

Washington, D.C. - Congresswoman Melissa Bean (IL-08) commended President Barack Obama today for signing The Credit Cardholders' Bill of Rights, H.R. 627, into law. After the House passed the final version of the legislation on May 19, 2009 with a vote of 361 to 64, the bill was presented to the president for his signature.

"Credit cards are a vital financing tool for families and small business owners, particularly during the current credit crunch," Bean said. "Most Americans have seen their interest rates rise unexpectedly on their cards. This bill requires advanced notifications of interest rate increases and allows that new rate to only apply to new purchases, not existing balances. This is responsible regulation that asks both companies and consumers to adhere to sensible credit card practices."

Among the bill's notable provisions:

### **Interest Rates**

- Prohibits arbitrary interest rate increases on existing balances, unless the consumer is 60 days late on a payment or fails to comply with a workout agreement, and eliminates "universal default" in which lenders raise rates because of problems with other creditors, even if the cardholder is in good standing with the card in question.
- Does not arbitrarily cap interest rates, allowing lenders to pursue risk-based pricing that rewards credit-worthy borrowers with lower rates and preserving broad access to credit for families and small businesses.
- Prohibits issuers from increasing rates on a cardholder in the first year a credit card account is opened and requires promotional rates to last at least 6 months.

### **Fees and Terms**

- Prohibits exorbitant fees, such as fees based on method of payment. Prohibits fees for going over the card limit unless the cardholder has specifically authorized over-limit transactions to go through.
- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
- Requires credit card statements to be mailed 21 days before the bill is due rather than the

current 14.

- Prohibits interest charges on debt paid on time (double-cycle billing ban) and prohibits late fees if the card issuer delayed crediting the payment;

### **Disclosure and Transparency**

- Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;
- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;
- Requires issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

### **Oversight**

- Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports;
- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

### **Small Businesses**

- Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;
- Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

### **Financial Literacy**

- Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.